

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00  
FRB-03 INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02  
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R 151718Z MAY 78  
FM AMEMBASSY ROME  
TO SECSTATE WASHDC 2288  
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PASS FRB

E.O. 11652: N/A  
TAGS: EFIN, IT  
SUBJECT: WHITTOME VISIT TO ROME

REF: ROME 8616

1. ALAN WHITTOME, DIRECTOR, EUROPEAN DEPARTMENT, INTERNATIONAL MONETARY FUND, CONCLUDED A THREE-DAY VISIT TO ROME ON FRIDAY, MAY 12. DURING THE VISIT, HE MET WITH GOVERNMENT OFFICIALS, INDUSTRY REPRESENTATIVES (CARLI), LABOR LEADERS AND A NUMBER OF ACADEMIC ECONOMISTS. ALTHOUGH HE REPEATEDLY TOLD THE PRESS THAT HE PREFERRED NOT TO GIVE HIS OPINIONS BECAUSE HE WAS IN ROME TO DISCUSS MATTERS DIRECTLY WITH REPRESENTATIVES OF THE GOVERNMENT, THE PAPERS FEATURED HIS VISIT PROMINENTLY AND INCLUDED IN THEIR COVERAGE A NUMBER OF SUBSTANTIVE VIEWS ATTRIBUTED TO WHITTOME.

2. CORRIERE DELLA SERA PUBLISHED THE FOLLOWING POINTS REPORTEDLY MADE BY WHITTOME DURING HIS CONVERSATION WITH LABOR LEADERS LAMA (CGIL), BENVENUTO (UIL), AND MACARIO (CSIL). (OTHER MAJOR DAILIES AND FINANCIAL PAPERS COVERED SIMILAR OR  
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IDENTICAL POINTS). WHITTOME: "MY IMPRESSION IS THAT THE SITUATION TODAY, COMPARED TO 1977, HAS MORE POSITIVE ASPECTS. THERE IS A RECOVERY OF PRODUCTIVE ACTIVITY AND THE HOPE THAT IT WILL CONTINUE, EVEN IF WITH MODERATION. FOR 1978 THERE IS AGAIN A PROJECTED SURPLUS IN THE BALANCE OF PAYMENTS. BUT ONE HAS TO TAKE THE WEAK POINTS SERIOUSLY. THERE IS HIGHER UNEMPLOYMENT AND NO HOPE OF REDUCING IT IN THE SHORT-

TERM. THERE IS, MOREOVER, A RAPID RATE OF GROWTH OF BASE MONEY AND THE DANGER OF A SPECULATIVE RECOVERY OF INVENTORIES AND RENEWED CAPITAL FLIGHT. THESE DANGERS MAY BECOME MORE SERIOUS IN 1979. IF THESE ASSUMPTIONS ARE CORRECT, THERE IS LITTLE ROOM TO MANOUVER AND THE RATE OF GROWTH IS SUBORDINATED TO THAT OF OTHER COUNTRIES (IF THAT SHOULD BE 4.5 PERCENT, ITALY COULD HAVE 4 PERCENT). TWO OTHER CONSTRAINTS ARE THE EXCESSIVE GROWTH OF CURRENT PUBLIC EXPENDITURES AND INCREASES IN THE COST OF LABOR." IN RESPONSE TO A REMARK BY BENVENUTO ON THE DANGER FOR UNEMPLOYMENT IF THE IMF IMPOSES ANOTHER SHORT-TERM PROGRAM ON ITALY, WHITTOME IS SUPPOSED TO HAVE SAID THAT A THREE YEAR PROGRAM, TO BE REVIEWED EACH YEAR, IS POSSIBLE, BUT UP TILL NOW THE LACK OF NECESSARY DATA HAS PRECLUDED THIS. IT WAS ALSO REPORTED THAT WHITTOME EXPLAINED THAT INVESTMENT AND EMPLOYMENT OBJECTIVES COULD BE PUT IN THE NEW LETTER OF INTENT AS GOVERNMENTAL COMMITMENTS BUT NOT AS CONDITIONS. "I INSIST ON THE REDUCTION OF PUBLIC EXPENDITURES, RESTRICTING COST OF LABOR INCREASES, AND THE PROBLEM OF THE COST-OF-LIVING WAGE ESCALATOR. I WILL TELL ADNREOTTI AND PANDOLFI THIS AFTERNOON THAT YOU MUST IMMEDIATELY ATTACK CURRENT PUBLIC EXPENDITURES AND STIMULATE INVESTMENT, BEGINNING WITH HOUSING."

3. LA REPUBBLICA HAD WHITTOME "ADMITTING" THAT A SURPLUS IN THE BALANCE OF PAYMENTS WAS NOT A "CONDITION SINE QUA NON" FOR ATTAINING A REAL EQUILIBRIUM. A SLIGHT DEFICIT  
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IS PERHAPS ACCEPTABLE, PROVIDED THAT IT IS USED TO FINANCE INVESTMENT (HOUSING TO BEGIN WITH) AND NOT TO EXPAND FURTHER GOVERNMENT EXPENDITURES.

COMMENT: WHITTOME'S SCHEDULE INCLUDED A DIVERSE GROUP OF PEOPLE REPRESENTING A MUCH BROADER SPECTRUM OF THE POLITICAL SCENE THAN HAVE SIMILAR VISITS IN THE PAST. JUDGING FROM THE PRESS REACTION, THE RECEPTION BY ALL GROUPS WAS GENERALLY FAVORABLE. THE CALL ON LABOR LEADERS, IN PARTICULAR, IS BEING INTERPRETED AS A POSITIVE DEVELOPMENT. IT PROVIDED THE IMF REPRESENTATIVE WITH AN OPPORTUNITY TO GIVE THE LABOR LEADERS AN OUTSIDE OBSERVER'S VIEWS OF ITALY'S ECONOMIC PROBLEMS, AND TO IMPRESS UPON THEM THAT THE IMF'S ULTIMATE OBJECTIVES ARE NOT DISSIMILAR FROM THOSE OF THE UNIONS, I.E., MORE INVESTMENTS, MORE JOBS. AS ONE LABOR LEADER SAID AFTER HIS MEETING WITH WHITTOME, "IT IS TOO BAD THAT SIMILAR MEETINGS HAVE NOT BEEN HELD IN THE PAST." WHETHER WHITTOME SUCCEEDED IN HIS EFFORTS IN PERSUADING HIS INTERLOCUTORS BOTH IN THE GOVERNMENT AND IN THE UNIONS TO GET AN EFFECTIVE ECONOMIC PROGRAM GOING REMAINS TO BE SEEN. THERE IS LITTLE DOUBT, HOWEVER, IN HIS HAVING MADE IT CLEAR WHAT ARE THE DANGERS TO THE ECONOMY (INFLATION, BALANCE OF

PAYMENTS PRESSURES) OF FURTHER PROCRASTINATION.GARDNER

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, VISITS, FINANCIAL TRENDS  
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**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
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**TAGS:** EFIN, IT  
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